

UKRAINE FRANCHISING ACTIVITY
Final Report and
Project Flow Chart – 1997-1998

Project Specifics

Task Order	EPE-I-02-95-00078-00
Period of Performance	Twelve months
Project Start Date	9/26/97
In-Country End date	9/25/98
Project Manager	Michael Amies (Alternative: Donna Sibley)
Project Director	Reid Lohr
Deputy Directors and Senior Franchise Specialists Franchise Marketing Specialist Franchise Finance Specialist	Julian Simidjiyski Ross Tyler Kathleen McDonald Gary Vanderhoof
Contractors/Sub-Contractors	Rudnick, Wolfe, Epstien and Zeidman Inc.

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Franchising in Ukraine

Executive Summary

Ukraine's small business sector has struggled with operating in a free market and finding ways to do business that ensure profitability and survival. Many donor-funded projects that focused on this sector have directed their education, training and consulting efforts towards single enterprises. In contrast, this project introduced franchising concepts, whereby the effort invested in a single enterprise could pass on to many franchisees and create a self-multiplying, new business engine.

This goal was achieved in three ways:

1. Assisting six indigenous Ukrainian enterprises in expanding their operations through franchising;
2. Improving the environment within which franchises operate; and
3. Building local franchise consulting capacity.

1. Assist Ukrainian enterprises in expanding their business through franchising.

Six local enterprises were selected for which franchising was an appropriate distribution strategy. Each was provided the business tools and support to effectively implement a franchise network. A franchise package and development plan was tailored for each selected enterprise and its staff were trained to implement the systems as well as the process of attracting, selecting, and training franchisees.

2. Improve the environment within which franchises operate

With this project's foundation provided by Sibley International's report under Contract CCN-0005-C-00-4005-00, Task Order # 07-0143-SIB, this team assisted in improving the business environment by:

1. Educating entrepreneurs about franchising and its value as a viable business strategy;
2. Assisting the selected franchises to apply for financing; and
3. Supporting changes in legal and regulatory framework to favor franchises.

Education: Prior to the project's start, the franchise concept was not well understood in Ukraine. Workshops, seminars, lectures, speeches, and roundtables were given to entrepreneurs allowing them to better evaluate franchising as a method of distribution for their businesses. Twelve formal franchising presentations with an additional twenty informal sessions were carried out in 240 days of the project. Approximately 350 people attended the various educational events. Explanatory texts were created in Russian and Ukrainian and widely distributed. In executing this project, seven local consultants and staff of the seven pilot enterprises received training.

Financing: Franchising is based on duplicating a proven successful business model and, with its reduced risk, has significant advantages over independent start-up businesses. The team used this reduced risk to create financial justifications for franchisor's to apply for small

scale borrowing. The financial community was given an explanation of franchising to demonstrate the advantages of this business methodology. The project directly assisted pilot companies in obtaining financing for their franchise development plans.

Legal and Regulatory Framework: Franchising does not require special laws for its successful growth, but the legal framework must contain a number of essential provisions. These laws govern commercial contracts, protection and registration of intellectual property, and trademarks and logos. The project team guided the State Committee for Entrepreneurial Development in a review of the draft Civil Code. This State Committee then revised the draft Civil Code, (Chapter 74), devoted to regulating franchise relationships.

3. Build local franchise consulting capacity

This project utilized seven local consultants who were mentored by expatriate experts, giving them skills to advise local enterprises on the suitability of franchising. These consultants are now equipped to assist in the development of franchise packages and rollout plans. This project generated a group of Ukrainian franchise specialists poised to support franchise development in Ukraine.

Consultants were given opportunities to run franchising workshops and seminars. Throughout the project, efforts were made to work in conjunction with the USAID- and donor-funded projects, including The Alliance, IFC, Newbiznet and WesNis. These organizations were sources of candidates for pilot enterprises, as well as participants in the training workshops given by the local consultants.

By the end of the project, all seven consultants were rapidly recruited by commercial organizations. Each is using the marketing, distribution and SME development skills acquired under the project and remain in close contact with the pilot enterprises with which they worked. They continue to be unique and valuable resources in Ukraine, equipped with the training and experience that they received under this project.

The tangible results sought for this project were reached or exceeded.

Seven enterprises with four starting to franchise, located in four cities, Kyiv(3), Donesk, Lutsk, and Lviv, were assisted under this project.

Franchisors in stable economies usually run a “trial”, corporately owned unit (or units) for at least one year before franchising. The project team in Ukraine was able to successfully accelerate this process using its high level of technical assistance. This resulted in seventeen bona-fide, independent franchise units, created within the performance period.

To help the new franchisors implement their development plans, each was equipped with complete operating procedures, a full set of operations and management manuals, and documented training programs. All pilot companies immediately benefited with improvements in their internal operating procedures, as well as the potential for subsequent expansion through franchising. These benefits include:

- Increased sales
- Growth of new customers

- Improved working methods
- Improved employee productivity
- Increased market share
- Improved turnover of inventory and reduced inventory costs
- Improved margins
- Improved cash-flow

If only one or two of the seven new franchisors succeeds with their development plans, several hundred franchise units can be expected over the next several years.

4. Ukraine's Franchising Outlook

Although successfully launched in Ukraine, the franchising concept remains in its infancy. Few of the better-known Western brand named franchisors have appeared, endorsing the country's potential, most remain master franchises (or licensees) or corporate units operated directly by the franchisor. These Western franchisors are preparing to expand through independent local franchisees, but the first true franchisors and franchised units, using standardized systems and networked distribution, were created under this project.

By introducing franchising into Ukraine's SME sector, the inherent multiplying effect brought benefit to a number of enterprises demonstrating the cost-effectiveness of the assistance provided by this project.

I Project Activity Description

The purpose of the project was to introduce, develop, and test the practical application of franchising in Ukraine.

The three primary activities were:

1. Assisting selected enterprises to develop into viable franchises with a market and focus to use its success in creating employment opportunities;
2. Building local specialized consulting capacity;
3. Influencing legal, tax and administrative improvements that affect franchise development.

II Attained Deliverables

The Project's Tangible Results had been reached one month prior to project completion. Result details include:

1. **Result Requirement: Detailed analysis of industrial sectors, criteria for assessing the viability of franchising in each sector and specific recommendations for franchising potential within each sector**

The Workplan containing these analyses and criteria was completed and delivered within 20 days from mobilization.

Fourteen primary industrial sectors were targeted. Of these, seven sectors were identified as prime targets– Pharmacies; Fast food, Ukrainian-theme, (Podil); Food Services, retail ice cream (Troyanda); Telecommunications services/internet access (Global Ukraine); training/consulting services (CCC); miscellaneous electrical goods retail (New Winds; Bydmax); medical services (MTS); general services (Zoo Company). In practice candidates from the pharmacy and telecommunications sectors were dropped and substitutes were found.

2. **Result Requirement: Creating a minimum of 6 fully operational franchising operations as evidenced by data including, but not limited to: demonstrated competencies in all operational and financial aspects of managing franchises, increased sales, new customer development and customer satisfaction, increased level of employment, increased net profits**

All enterprises selected would qualify as franchise operations under the US FTC regulations and the franchisees would be similarly categorized.

Podil, Global Ukraine, and CCC were identified within first 30 days. Although CCC received direct assistance at the early stages of the project, because it was an NGO in transition to independent, for-profit status, USAID and the project team mutually agreed that further assistance to CCC would be contingent upon completion of work with the required six other enterprises. Although Global Ukraine signed the commitment letter, it did not dedicate the necessary internal resources to develop the franchise system. For this reason, MTS (Medical Technology Systems) and New Winds (electrical appliance) became substitute pilots.

In the second part of the project, three additional enterprises were identified: Urktek Pharmacy, Troyanda (Ice cream manufacturer and distributor), and Zoo Company (Pet store/veterinary clinic/kennels). Letters of commitment were signed by 3/31/98 (120 days after mobilization). The Urktek Company was unable to secure necessary permits requiring the project to make a further substitution. By 5/31/98 Bydmax (Home improvement supply retailer) was integrated into the project and proved to be among the best and most committed of the pilots. The Troyanda package was completed and delivered on 6/30/98, the Zoo Company on 7/31/98 and the Bydmax package by 8/31/98.

The full impact of the franchised enterprises and the income generated by the franchise units requires time to reach it's full potential. Further, the number of franchised units is expected to steadily grow in the next few years.

- 3. Result Requirement: Evidence that at least three of these franchising operations are in the process of developing their franchise network as evidenced by data including but not limited to: demonstrated competencies in all operational and financial aspects of managing franchises, negotiations on franchise agreements with potential franchisees, detailed business strategies, surveys on customer demand, increased sales, new customer development and customer satisfaction, increased level of employment, increased net profits.**

Four of the approved pilot enterprises had successfully appointed and trained franchisees within 220 days of mobilization. These were:

1. New Winds – 5 franchisees
2. Troyanda – 2 franchisees (“area franchisees” with rights to sub-franchise and with the potential for several hundred individual franchisees)
3. Zoo Company – 2 franchisees
4. MTS – 5 franchisees.

In addition, CCC, the quasi-NGO, appointed 3 franchisees.

All franchisors and franchises received a complete set of specific operations manuals (see also result-requirements 4,5,7, and 8 below) defining the unique procedures for each business. Five pilot enterprises (New Wind, Troyanda, Zoo Company, Bydmax and Podil) appointed Franchise Managers while in the other two (CCC and MTS), the individual entrepreneurs assumed this role.

Although operational manuals are an essential part of the franchise system, and a quantifiable benchmark, the true importance extends beyond the printed documents. The “franchise package”, which combines the manuals with suitable training, is the vehicle for the transfer of know-how from the franchisor to the franchisee. The franchise package created by this project combined details of the enterprises’ operations with franchise expertise from the expatriate consultants. The consultants introduced a system that passes to other entrepreneurs a successful way of delivering product or service to customers.

A total of seventeen franchisees had received this benefit from “franchise packages” by the projects completion.

4. Result Requirement: Documentation of the existing legal, tax and administrative regulations and procedures affecting franchising and substantive recommendations for addressing these areas. (Tangible Results 4, 7 and 8 are closely related to one another and are covered by the comments below.)

A review of the legal and regulatory environment, with recommendations for the framework for franchising, was delivered to USAID on 12/31/97, (60 days after mobilization).

The project culminated in two-volumes, a generic manual, entitled “Franchising in Ukraine” (copies supplied to all Franchisors and to USAID).

Volume I addressed the issues any franchisor or franchisee faces in starting a business in Ukraine. It also includes the review of the draft legislation on franchising (Chapter 74 of the Civil Code Part II) carried out by the Sub-Contractor, Rudnick, Wolfe, Epstien and Zeidman Inc. and a review of the Ukrainian financial environment for franchises.

Volume II, “The Simple Guide to Starting a Franchise”, specifically addressed the registration and inspection procedures. It contained actual examples of the required forms, and advice on the available recourse if bureaucratic difficulties are encountered. It’s content gives value to all small businesses operating in Ukraine as well as new franchises. Copies in English and Russian were widely distributed.

The project team worked closely with the State Committee for the Development of Entrepreneurship and gave specific franchising case for study and action (the most notable of these being the Urktek Pharmacy).

5. Results Requirements: Evidence that the processes required for franchising are fully documented such as management manual, standards for operations, retail planning and development and legal agreements.

Complete franchise packages for Podil and MTS were completed by 3/31/98 (120 days after mobilization). After CCC was substituted by New Winds, the franchise development for this enterprise was accelerated making the full package available by 5/31/98. The franchise packages for the remaining pilots (Zoo Company, Troyanda and Bydmax) were all delivered by 8/31/98.

By agreement with the Project Officer, all enterprise manuals were delivered in Russian, with sample English copies produced for the Project Officer.

6. Result Requirement: Minimum of three local professionals competent at advising on all aspects related to the development of viable franchises.

The project team started with one administrator and three consultants. All were appointed and in place within the specified period, as detailed in the Benchmarks. The administrator demonstrated superior skills from the start of the project and subsequently became an additional consultant, while still performing administrative functions. Several changes had to be made during the course of the project as some consultants were recruited by

corporations offering permanent positions. The project office was within the premises of the Ukraine Centre for Post Privatization Support (UCPPS). UCPPS later supplied an additional two consultants, bringing the total consulting team to six, compared to the original plan for three.

7. **Result Requirement: Detailed manuals on the legal and regulatory procedures required for establishing a franchise.**
(See “4” above)
8. **Result Requirement: Documentation on recommendations and measures undertaken for improving the existing legal and regulatory system and assessment of the impact of the regulatory framework.**
(See “4” above)
9. **Result Requirement: A minimum of 4 franchising presentations with 25 individuals attending franchising presentations and follow-up on the participants’ application of the material covered in these presentations.**

Recipients of the franchise training included: staff of Ukraine Center for Post Privatization Support, Newbiznet and IFC Business Support Centres. All three received basic “introduction to franchising seminars” with follow-on workshops explaining franchising in greater depth.

Franchise workshops were conducted for the Regional NIS-US Women’s Consortium; MBA students attending the International Management Institute; Business leaders in Donesk, and Feodosya; and for the State Committee for the Development of Entrepreneurship.

In total, twelve formal franchising presentations were carried out with an additional twenty informal sessions within the 240 days of the project. An estimated 350 persons attended the various presentations and workshops.

While the project’s focus remained on franchising, it was recognized that some of the common elements found in the basic operating procedures could benefit any (non-franchising) SME. The opportunity was used to make available the basic modules to a much larger constituency of Ukraine businesses. The principal vehicle chosen for this dissemination was the Newbiznet network.

Further details are contained in the Project Flow Chart attached.

10. **Result Requirement: At least 2 franchisors or franchisees have applied for financing for franchise development.**

A Franchise Finance Justification was created and used by the team to demonstrate reduced financial risk for financing pilot enterprises and to pass on to the local financial institutions.

New Wind - The project team worked with New Wind to prepare and submit an application for funds (\$500,000) from the Aval Bank to develop its franchise network.

MTS – An application for a \$25,000 line of credit for development of the franchise system was approved by Prominvest Bank in Lviv. Further funds applications were in process at the end of the project.

Podil – A concept paper and supporting financial models were prepared for a \$50,000 loan. A project completion this application had not been formally submitted.

Zoo Company – Assistance was provided to quantify funding needs and to prepare a request for financing from WesNis.

Troyanda – Existing financial and assistance was already coming from WesNis. The role of the project team was to identify the funding requirements for franchisees and regional franchisees, so an application could be made to WesNis for additional funding.

III Problems Encountered

Some of the normal logistical “start-up” problems usually encountered by a new project were avoided as the physical operation of the project was greatly facilitated by cooperation with UCPPS which provided office space and additional consultants. Minor problems with initial staff and early turnover were encountered, but proved insignificant and did not impact the results.

Specific challenges included:

1. A change of Project Officer after the project had been in operation for three months resulting in direction refinement.
2. The project design gave emphasis to the number of franchisors and franchisees created. While it is recognized that the results from these efforts would have been immediately measurable, it is felt that a broader focus on creating systemic change and sustainability would have had a more lasting effect on the Ukraine SME sector.
3. Experience with the pilot enterprises has indicated that only those with an existing and relatively strong business basis as well as good financial and human resources will have the ability to absorb the franchise concept and move rapidly to create a franchise network (e.g. Bydmax, Troyanda, New Winds). While individual entrepreneurs with good concepts (e.g. MTS, Podil) could also be assisted, the time scale needed to test their product, system and trial unit(s) requires significantly longer before franchising to others.
4. The major practical problems the team encountered were those associated with the challenges of doing business in Ukraine, rather than anything specific to franchising. Some owners/managers in pilot companies failed to meet their commitments and the

complexities of transferring royalties and making disbursements were generally not enforceable.

5. The local consultants became prime candidates for recruitment by other enterprises. This is clearly not a phenomenon that is unique to this project, but the fact that they are still contributing to improvements in the growth of the free market system in Ukraine, should not be discounted.
6. The pilot enterprises highly valued the assistance they received and requested its continuance. It will be some time before they could or would afford to pay for the expatriate technical assistance provided under this and most of the other donor funded programs (this is a challenge that the Newbiznet and similar ventures are facing at present). There is an argument for a continuation of this kind of subsidized assistance and for continued efforts to establish a satisfactory path towards self-sustainability.

The main benefits and true impact of the exercise will take longer to develop and assess for the following reasons:

1. Ukrainians exposed to franchise training and education programs may take time to become active participants.
2. While a significant number of finance organizations have been introduced to the concept and its advantages to lenders or investors, there are only a few franchises for them to fund. The climate for investment remains relatively hostile towards businesses requiring a relatively long payback period. Lending and investment by local institutions is focussed on enterprises involved in trading rather than business start-up.
3. The legal and regulatory environment in Ukraine is currently in a state of flux. Recommendations have been made for improvement, but time is needed before any changes are implemented. One very encouraging development, however, was the power given to the State Committee for the Development of Entrepreneurship to override certain regulations and officials that are deemed to be impeding the growth of this sector.

IV Opportunities for Enhancement

The major focus of this project was to create six “franchisors” and to provide assistance and guidance for them to establish franchisees. With the dedicated expert assistance provided in the task order, the normal genesis of a franchise system was accelerated and the real benefits are likely to accrue over time.

However, franchise systems remain vulnerable beyond the time of their creation. In effect, this project did not allow all systems (both operational and franchising) to be developed, tested and implemented for a long enough period to generate franchise sustainability. It should be noted that a Kazak pharmacy for which a franchise package was developed under a similar USAID-funded project spent two years testing and refining the operations package in corporate units. Only now is the franchise network being implemented.

While the Ukraine pilots should be successful, the accelerated process carries risk of failure with the inherent rapid expansion. This is a phenomenon that has been observed throughout the world. An example is Malaysia, where a very supportive Government backed program

resulted in very fast growth of franchises, several of which have now failed, causing the concept itself to gain a negative reputation.

Although five of the seven pilots reached the point of creating actual franchises, the process of attracting, selecting training and supporting franchisees has only just begun and there will be future challenges that cannot be fully anticipated. It is probable that such challenges, arising particularly from the unique franchisor/franchisee relationship, will be unfamiliar to local consultants and no qualified help will be available. (The consultants trained during the project have had no practical experience of the problems that arise in a mature franchise system, the concept being new in Ukraine)

The fact that the Government of Ukraine established a “State Committee for the Development of Entrepreneurship” indicates its recognition of the serious challenges in moving to a market economy. Although this Committee only became effective in April 1998 (following the elections) the project team worked closely with this Committee and it was gratifying to see the efforts being made to improve the hostile regulatory environment encountered by the small, start-up enterprise. This Committee sees franchising as having a major role to play in developing a healthy Ukrainian SME sector.

The importance of access to loan and investment capital at various stages of development has become more acute. It is clear that obtaining financing will continue to be difficult. However, the franchise method of doing business has begun to be recognized as a favored methodology because it is based on the replication of an already proven successful business. Further education of bankers – particularly loan officers - is needed.

Franchising can continue to grow and become a major contribution to economic stability based on the development of a sound SME sector (as is the case in flourishing Western Markets). The following issues need further attention to facilitate this:

1. A large proportion of the business community lacks understanding of the franchise concept– although the project addressed this issue, much remains to be done.
2. Continued bureaucratic and regulatory inhibition of small business development
3. The planned franchising law has several serious weaknesses that need to be addressed (See detailed comments in legal summary).
4. Lack of SME and franchise “friendly” funding sources
5. Lack of experienced franchise specialists capable of “hand-holding” beyond the franchise development phase and advising on the critical and unique franchisor/franchisee relationship.

Sibley International has the experience and skill sets to address the above issues and submitted a proposal for project extension.

V Recommendations

General

1. Future projects should focus on improving the environment within which franchises operate.

2. While pilot franchise development should continue to form part of such projects, the expectation of the rate of development might be better aligned to a level consistent with sustainable growth.
3. Projects should be of sufficient length for the enterprises to become franchises and for technical assistance to be provided beyond the franchise development phase. In real terms this would be a minimum of two years, with the second year at a significantly lower level of effort and cost than the first.
4. Future projects should be more closely allied to other, related initiatives, particularly those creating a self-sustaining vehicle for delivering business and consulting services to local enterprises.

Specific to this Task Order

1. Provision of further expatriate technical assistance should be considered in order to consolidate the work already performed, and to assist the fledgling franchisors in their development phase, and continue capacity building.
2. The efforts of the State Committee should be formally supported and augmented by a continuing USAID-funded initiative. Specifically, a national Franchise Resource Center could be created, charged with educating, training and generally supporting the development of franchising in Ukraine.
3. Following a period of growth in the franchise community and with improvements in the environment, an outreach program to attract foreign franchisors should be developed.
4. The impetus and success of this project in introducing franchising to Ukraine could be perpetuated and expanded with a greatly reduced level of assistance.

LOCAL CONSULTANTS ENGAGED ON THE PROJECT

FELIX STAROVOITOV

TATIANA MAKSIMOVA

IRINA DOMBROVSKA

LIANA GORAYSKA

ANDREY ZIASLAVETS

ALEXANDER VORONKOV

RUSSLANA ZVEREVA

ADMINISTRATIVE ASSSISTANT

ALINA VENGLYUK

PILOT ENTERPRISES

Podil - This Company is a manufacturer and distributor of Ukrainian food products and is planning to establish a chain of franchised Ukrainian fast-food restaurants (similar to Russkoe Bistro in Moscow). The Company already operates two restaurants in Kyiv.

MTS - Medical Technology Systems is a privately owned, modern medical diagnosis and treatment center, using "state of the art" Western technology to assist in diagnosis and Eastern style treatments. The Company is based in Lviv.

New Winds - is a privately owned Company which currently operates four corporate stores in Kyiv, assembles and distributes electrical appliances and small electronic devices. They also have a network of distributors throughout Ukraine. They plan to create a network of franchised distribution centers, partly by conversion of existing distributors, partly by opening new ones. They have further plans to manufacture, or at least sub-assemble, their own product line.

The latter will be significantly affected by a successful expansion of the franchised distribution network.

Troyanda - is an ice-cream manufacturer based in Lutsk, Western Ukraine, and has a network of distributors throughout the country. They plan to convert the best of these to franchises and to supplement these with new franchisees to the extent that they dominate the market for their product.

Zoo Company - is a veterinary clinic based in Donesk that has additional income generation from the operation of kennels and a pet-shop. They have a number of associates around the country that wish to use the successful business methods of the Zoo Company. The intent is to convert these associates into a more formal relationship through franchising and recruiting additional franchisees.

Bydmax - is a Kyiv-based Company that specializes in retailing supplies for home improvement. It currently has three corporate stores in Kyiv and a number of distributors throughout the rest of the country. It wishes to control more closely the distribution and quality associated with its brand name by franchising. They plan to open an additional 25 franchised units by the year 2000.

CCC - The Counterpart Creative Center is a unique organization making the transition from a donor funded entity to a "fee for service" consultancy. CCC is establishing a network of consultants providing business, management, and financial services to independent small and medium sized businesses. The organization is predominantly composed of women entrepreneurs, although several male entrepreneurs have now joined the system.

Contact information follows.

Troyanda

Contact person	Position	City	Telephone/Fax
Harchenko, Vadim	Manager of Marketing Research	Lutsk	Tel: (03322) 49984 Fax: (03322) 44241
Chernish, Nikolay	Franchise Manager	Lutsk	Tel: (03322) 49984 Fax: (03322) 44241
Harchenko, Fedor	Marketing Department Director	Lutsk	Tel: (03322) 70105 Fax: (03322) 44241
Tromsa, Yuriy	Deputy Director “Troyanda Kyiv”	Lutsk	Tel: 4637540/-49
Yavorskaya, Alena	Franchise Manager	Kyiv	Tel: 4637541/46
Nikolaycev, Sergey	Deputy Director “Freeze Express”	Nikolayev	Tel: (0512) 354519, 352984

PODIL

Contact Person	Position	City	Telephone
Omelchuk, Valery	President	Kyiv	Tel: 4173288 Fax: 4175746
Taras	Franchise Manager	Kyiv	Tel: 4173288 Fax: 4175746

ZOO COMPANY

Contact Person	Position	City	Telephone
Ephanova, Anna	Director	Doneck	Tel: (0622) 935741 Fax: (0622) 935741
Derminer, Anatoly	Franchise Manager	Doneck	Tel: (0622) 935741 Fax: (0622) 935741
Ignatov, Yuriy	Franchisee, “Fauna Plus”	Doneck	
Avdeenko, Oleg	Franchisee, “Optimist”	Mariupol	

BYDMAX

Contact Person	Position	City	Telephone
Shapovalov, Andrey	BYDMAX Franchise Manager	Kiev	463-9914-16
Popovich, Valery	President of the company	Kiev	463-9914-16
Popenko, Valery	Store Manager	Kiev	463-9849-50

“New Wind”

Family Name	Established post	City	Telephone
Chepurko, Oksana	Central Office, Manager of the regional representatives dept.	Kiev	265-5441, 265-6374, 265-5944
Nedeluk, Sergey	Franchise Manager of the “New Wind” Company	Kiev	224-1510,

			225-5252, 225-6008
Mel'nilov, Alexander	Deputy Franchise Manger	Kiev	224-1510, 225-5252, 225-6008
Kulikovskiy, Sergey	"New Wind" store director	Kiev	412-5780 412-5249
Timoshenko, Evgeniy	"New Wind" store director	Kiev	515-7213 515-2098
Stelmakh, Taras	"New Wind" store director	Odessa	(0482)22-0344, (0482) 22-8701, (0482) 21-0846, (0482) 22-1377
Safonov, Sergey	Deputy director "New Wind Odessa" store	Odessa	(0482)22-0344, (0482) 22-8701, (0482) 21-0846, (0482) 22-1377
Kireev, Sergey	"West wind" store director	Lviv	(032) 74-4007, (032) 72-2515, (032) 59-8924
Gegalov, yuriy	"West wind" store manager	Lviv	(032) 74-4007, (032) 72-2515, (032) 59-8924
Grinus, Oleg	"West wind" computer department manager	Lviv	(032) 74-4007, (032) 72-2515, (032) 59-8924
Beli, Vladimir	"New wind" Store manager	Odessa	
Perina, Irina	Chief accountant	Odessa	
Oleshko, Sergey	Senior salesperson	Odessa	
Mikhaylovich, Sergey	Senior salesperson	Odessa	
Talalaevskiy, Roman	Deputy Director of the region representatives "New-Wind"	Donec-k	(0622) 35-7389 (0622) 35- 6818

Sibley International
Post-Privatization Support Project
Task Order EPE-1-02-95-000078-00

Franchising in Ukraine
Project Flow Chart Y.T.D. – September 1998

OBJECTIVES:

- A:** To develop existing enterprises into viable franchises.
B: To develop local consulting capacity.
C: To affect legal, tax and administrative barriers through the development of viable franchises.

<i>PHASE 1</i>		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments	
<u><i>Assessment</i></u>					
1. Development of Workplan. • A detailed workplan specifying the sequencing of the tasks, responsibilities, benchmarks and tangible results • Develop criteria for selection of pilots • Finalize selection process for enterprises	11/03/97	10/28/97	The complete workplan was completed and submitted to USAID on 10/24/97 with final approval on 10/28/97. Final criteria and selection process was also completed and included with the workplan.		
	2. Acquiring of suitable office premises. • Determination of office logistics • Acquisition of furniture, computers, equipment, phones, etc.	11/03/97	10/31/97	Acquiring of office has been finalized but logistic issues are still being completed due to problems with phone lines effecting communications. Initial equipment, computers and furniture are being acquired and should be fully operational by mid November.	
			11/28/97	All equipment and computers have been acquired. 90% of logistical issues are being resolved and office is operational. One-week delay due to power failure in building.	

<i>PHASE 1</i>		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Assessment</u>				
3. Development of Project Team. • Recruit a team of local professionals • Begin training process and workshops • Action plan for implementing pilot franchising activities	11/19/97	10/31/97	The initial project team has been selected and the training process has begun with both workshops and written educational materials. The second expatriate franchise specialist and one more additional consultant are scheduled to begin by target date. Action plans for implementing franchising activities will begin before mid November.	
		11/03/97	The final local consultant was selected and began training.	
		11/07/97	Formal seminars and workshops for Sibley consultants and selected consultants from UCPPS were concluded.	
		11/17/97	The second expatriate Franchise Specialist arrived and is focusing efforts on the direct hands-on training of consultants. This specialized training is utilizing action plans and development strategies for pilot franchising to develop team and individual capacities.	
		11/25/97	Senior consultant was terminated due to disciplinary problems but has been replaced by a more qualified and experience person who has demonstrated team participation and leadership.	
		12/31/97 and on-going	Continued training workshops with consultants on weekly basis.	
4. Identification of enterprises for franchising. • Target industry sectors • Identify firms selected as potential pilot projects	11/19/97 (2) to (4) (3)	10/31/97 fourteen(14) six (6)	Fourteen primary industry sectors have been targeted with additional being investigated. Six have been identified with four more under consideration.	

<i>PHASE 2</i>	Tangible Results/Benchmarks		Critical Issues /
	Expectations	Actual	Next Steps / Comments
<i><u>Design</u></i>			
1. Selection of enterprises for franchising. <ul style="list-style-type: none"> • Qualifications of selected pilots firms • Final selection of initial firms as pilot franchisors • Commitments received from initial firms 	11/19/97	10/31/97	Two firms selected and written commitments have been received. Three more are under consideration for qualification of third initial pilot.
	(3)	two (2)	
	(3)	completed	
2. Begin development of franchising packages. <ul style="list-style-type: none"> • Project teams to work within firms to begin development of franchising packages 	11/19/97	two (2)	
		11/18/97	Finalized selection of third project with commitment letter received.
		one (1)	
		11/01/97 and on-going	Continued investigation and research for additional potential franchise pilots.
		10/31/97	Initial planning is being formulated.
		11/05/97	Identified and began development of strategic objectives and goals of <i>Global Ukraine</i> for internet/email franchise network.
		11/19/97	Formulated strategic development and evolution process of CCC into business services and consulting franchise network.
		11/21/97	Begin strategic development of <i>CC Podil</i> package for fast food franchise.
		12/31/97	Continued development of franchising packages. Concentrated resources being applied to CCC pilot due to concept analysis and implementation schedule. Redesign of pilot workplans.
		01/31/98	Reformulated strategic development process and direction of <i>CC Podil</i> into “Mini-Cafe” fast food franchise network. Identified and began development of strategic objectives and goals of <i>New Wind</i> for small appliance & electronics retail franchise network. Began strategic development process for <i>Medical Technology Systems</i> to a franchise network of medical diagnostic clinics.

PHASE 2 <u>Design</u>	Tangible Results/Benchmarks		Critical Issues /
	Expectations	Actual	Next Steps / Comments
3. Documentation and recommendations of existing legal, tax, and administrative roadblocks affecting franchising. (Franchising in Ukraine) <ul style="list-style-type: none"> Initial review of the legal and regulatory environment Recommendations to the legal and regulatory framework for franchising 	04/30/98	10/31/97	Initial assessment of the legal and regulatory environment for franchising and small business development was submitted to USAID on 10/18/97.
		11/01/97 and on-going	Coordination and research of legal, regulatory, and lending issues with contractors that will affect the development of franchise networks.
		12/01/97	Research and analysis continues with initial drafts being developed.
			Initial research has begun on leasing issues as they apply to franchising.
		12/31/97	Completed and delivered to USAID: <ul style="list-style-type: none"> Initial review of the legal and regulatory environment Recommendations to the legal and regulatory framework for franchising
		01/31/98	Initial English version drafts completed for: <ul style="list-style-type: none"> Overview & analysis of franchising in Ukraine Legal issues related to intellectual property
		2/28/98	Initial English version drafts completed for: <ul style="list-style-type: none"> Financing issues affecting franchising Leasing issues affecting franchising in progress. Russian drafts of all documents in progress.
		3/31/98	Completed all initial English version drafts. Russian drafts of all drafts in progress.
		4/30/98	Completed and being reviewed for updated information, additions, and modifications to original.
		5/31/98	Documents are being updated to reflect revised version.
		6/30/98	The second English version has been completed, reviewed, and updated to reflect the most current information. The Russian version has been completed and updates are being made to reflect the modifications in the English version.

<i>PHASE 2</i>		Tangible Results/Benchmarks		Critical Issues /
		Expectations	Actual	Next Steps / Comments
<i><u>Design</u></i>				
3. Documentation and recommendations of existing legal, tax, and administrative roadblocks affecting franchising. (con't.) (Franchising in Ukraine) <ul style="list-style-type: none"> • Initial review of the legal and regulatory environment • Recommendations to the legal and regulatory framework for franchising 		11/19/97	7/31/98	The second Russian versions were completed and delivered to each of the Pilot Projects in addition the appropriate contractors, USAID and Ukrainian agencies. This document is seen as valuable to <u>any</u> small – medium business (or franchised business) and will be supplemented throughout the project.
			8/31/98	A supplement and complementary addendum is being developed and will be completed in September. This will be “The Simple Guide to Starting A Franchise Business” and include guidelines to address potential obstacles.
			9/25/98	“The Simple Guide to Starting A Franchise Business” was completed. Hard and disk copies were provided to USAID, IFC and NewBizNet for dissemination and distribution. This document is a valuable tool to <u>any</u> SME (or franchised business).
			10/31/97 and on-going	Completed formulation and customizing of materials for the Ukrainian economic environment. This will be an on-going process targeted to the audience and the current environment.
4. Formulate presentations and training programs. <ul style="list-style-type: none"> • Franchising concepts and methodologies • Educational workshops and information transfer • Distribution and marketing systems 			11/03/97	Conducted five-day workshop and training sessions for local consultants and Ukrainian Center Post Privatization (UCPPS) business advisors and employees.

<i>PHASE 2</i>		Tangible Results/Benchmarks		Critical Issues /
		Expectations	Actual	Next Steps / Comments
<u>Design</u>				
5.	Initial review of funding sources for small businesses.	Begin by 11/19/97	10/31/97	Process has begun through conversations with USAID to identify USAID sponsored programs.
			11/01/97 and on-going	Continued research and investigation and have scheduled tentative meetings starting in December.
			2/28/98	Began research and identification process.
			3/31/98	Continued research for identification of resources.
			4/30/98 and on-going	Intensified research for identification of resources to assist current pilot development. Began cooperative effort with the Alliance.
			6/30/98	Completed - An in-depth report on these activities and the strategy for follow-up was submitted on June 19, 1998. The arrival and assistance of a financial specialist allowed the Project to intensify its efforts to identify and possibly attain viable loan and credit sources to facilitate franchise network expansion.
			7/31/98 and on-going	Due to the importance of the entire financing issue and its effect on the development and expansion of each franchise network, the Deputy Project Director continued to dedicate much of his time and resources to this segment of the Project. These included: <ul style="list-style-type: none"> • Assisting with the development of concept papers detailing the funds required and their intended application; • Matching this need to the appropriate sources for financing; • Facilitating the actual loan process and providing technical assistance.
			8/31/98 and on-going	The matching and assistance in obtaining appropriate financing sources is continuing as a Project priority.

PHASE 2		Tangible Results/Benchmarks		Critical Issues /
		Expectations	Actual	Next Steps / Comments
Design				
6. Identification of additional enterprises for development as potential pilot franchise networks. <ul style="list-style-type: none"> Qualified for the development of franchise packages 	three (3) by April 6, 1998	11/03/97 and on-going	Initial research and investigation is being coordinated primarily with DAI and the Alliance Network. Most of this work has concentrated outside Kyiv.	
		12/01/97 and on-going	A medical facility in Lviv has been identified, through IESC, as a potential pilot. Preliminary meetings were held and a more complete analysis is planned in January. Additional pilots are being reviewed.	
		12/31/97	Two new franchise pilots were identified and commitment letters signed: <ul style="list-style-type: none"> Medical Technology Systems operates a modern medical diagnosis and treatment center based in Lviv. New Wind is a retailer and distributor of appliances and small electronics who currently operates four locations in Kyiv. 	
		01/31/98	A pharmaceutical company was identified who wants to develop a retail pharmacy network through franchising. The commitment letter from Ukrteck Pharmacy is due early February.	
		01/31/98 and on-going	Continuing research and analysis of potential pilot enterprises for future development. Among these is a freight broker who wishes to establish a network throughout Ukraine	
		2/28/98	Entered initial discussions with RTI/DGI concerning the possibility of a franchise pilot in the transportation sector. These may involve urban transport, inter-city, and/or vehicle maintenance. Discussions continue with Agro-Prodex, a manufacture and distributor of snack foods in the Donetsk region. Entered discussions with "Sub-Service", a submarine sandwich delivery business in Kyiv. They are considering expanding into storefront locations with additional outlets in major cities. Received commitment letter from Ukrteck Pharmacy in Kyiv. Initial work is scheduled to begin in late March with actual package development planned to start in April.	

<i>PHASE 2</i>	Tangible Results/Benchmarks		Critical Issues /
	Expectations	Actual	Next Steps / Comments
<i><u>Design</u></i>			
6. Identification of additional enterprises for development as potential Pilot franchise networks. (con't.)		2/28/98 (con't.)	Investigation and negotiations continue with <i>Troyanda</i> , an ice cream distributor in Lutsk.
<ul style="list-style-type: none"> Qualified for the development of franchise packages 		3/31/98	<p>Signed commitment letter with <i>Troyanda</i>, the ice cream manufacture and distributor in Lutsk. Work on the development of the franchise package is to begin during April.</p> <p>Entered into discussions with Byudmax, a retailer and wholesaler of home improvements located in Kyiv for a possible seventh pilot project.</p> <p>Entered into discussions with a veterinary/pet store concept located in Donetsk for possible seventh pilot project.</p> <p>Continued dialog with RTI/DGI for possible pilot in the transportation sector.</p> <p>Continued discussions with Sub-Service for possible pilot project development.</p>
		4/30/98	<p>Continued dialog with DAI/NewBiznet for possible development of additional cash-generating business service franchise.</p> <p>Signed commitment letter with <i>Zoo Company</i>, a veterinary clinic concept located in Donetsk as the projects seventh pilot franchisor. The project will be developed as a veterinary clinic franchise with the assistance and cooperation of IESC. A very successful and profitable model from the US will be adapted to operational realities of Ukraine. The franchise will begin with a veterinary clinic and then expand into zoo (pet) stores, training facilities and pet cemeteries.</p> <p>Continued discussions with Bydmax, a retailer and wholesaler of home improvements located in Kyiv for a possible pilot project.</p> <p>Conversations and investigation have also begun with several wholesale and retail grocery companies.</p>

<i>PHASE 2</i>	Tangible Results/Benchmarks		Critical Issues /
	Expectations	Actual	Next Steps / Comments
<i><u>Design</u></i>			
6. Identification of additional enterprises for development as potential Pilot franchise networks. (con't.) <ul style="list-style-type: none"> Qualified for the development of franchise packages 		4/30/98 (con't.)	Discussions are also in their initial stages with a pharmaceutical distributor of equipment and supply whom wishes to expand its sales and distribution network.
		5/31/98	<p>We began discussions with a wholesale distribution company located in Kyiv. The company has established a distribution business that specializes in basic home use products and personal hygiene items and wishes to expand into less populated cities and regions.</p> <p>Signed commitment letter with <i>Bydmax</i>, Bydmax is a Kyiv based business that specializes in home improvements. Their primary activities are in the retail end of the business but they are beginning to explore expansion into wholesale. The Company currently operates three locations in Kyiv and is planning two more by year's end. They wish to open additional twenty-five units by the year 2000 and will be using franchising as one of their means for expansion.</p>
		6/30/98	<p>Discussions continue with enterprises in the wholesale/retail grocery sector and the wholesale/retail pharmaceutical sector. Other sectors and regions of Ukraine continued investigation.</p> <p>Discussions continued with 'Triumphalna Arka', a wholesale and retail grocery company, concerning Project assistance in developing a distribution and marketing system using franchising as the methodology for this expansion.</p>
		7/31/98 and on-going	<p>Discussions also began, with the assistance of CDC, with a Coffee distributor and retailer in Odessa. The Company contacted the Project and desires to develop a franchise network to further its development.</p> <p>The Project is actively working with seven (7) franchise pilots and is not engaging in the actual development of additional pilots. We are however, advising UKR CoffeeClub on its development with the possibility of becoming a future pilot.</p>

PHASE 3	Tangible Results/Benchmarks		Critical Issues /
	Expectations	Actual	Next Steps / Comments
<u>Implementation</u>			
1. Creation and development of the franchise strategy and packages for initial pilots. <ul style="list-style-type: none">• Business Strategies and Development Plans• Operating Procedures and Controls• Marketing Programs• Training• Legal Framework	three (3) by 4/6/98	11/30/97 and on-going	Business strategies, directions and plans began during the month and are being formulated between consultants and key management teams in each of the three original pilots.
		12/31/97	Business and franchise development strategies were finalized for CCC and Podil. Workplans have been completed in conjunction with the management of each pilot and development of the franchise packages has begun. Due to pilot management constraints at Global Ukraine the workplan has not been completed but system development is continuing.
		01/31/98	Franchise development packages were initiated for New Wind and Medical Technology Systems. The development of the Global Ukraine project was put on hold due to lack of management cooperation. The final decision whether to continue with the project is scheduled for February. The initial assistance being provided to CCC was completed. The English drafts of the franchise documents will be presented in early February. Assistance will continue but to a lesser degree.
		2/28/98	CC Podil – Approximately 73% of package is complete. The “Mini-Café” model has been delayed due to monetary constraints. Medical Technology Systems – Approximately 75% of English versions of package is complete. Legal Agreement and Clinic & Human Resources are being utilized. New Wind - Initial work and operational strategies with the senior management was completed. The project is on scheduled.

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
1. Creation and development of the franchise strategy and packages for initial pilots. <ul style="list-style-type: none">• Business Strategies and Development Plans• Operating Procedures and Controls• Marketing Programs• Training• Legal Framework		2/28/98	CCC – All English version drafts were completed and presented to senior management. The system package will be revised and translations completed upon consultation. Global Ukraine – The work with pilot was terminated. The company management would not cooperate or participate due to conflicting priorities and constraints.	
		3/31/98	CC Podil – Package has been completed. Final production and presentation scheduled for April. Medical Technology Systems – Approximately 80% of final English drafts have been completed. Priority has been given to negotiation of prospective franchise relationships. Total package to be completed by end of April. New Wind –67% of the English version and 40% of the Russian drafts are complete. Project is on target and we expect completion of basic package and to begin implementation by the end of April. CCC – The English versions have been reviewed by senior management and will be fine-tuned for implementation.	
		4/30/98	CC Podil - The complete franchise systemand package was formally presented with recommendations. The Company was quite impressed with the entire package and will begin implementation of several components into its day-to-day business operations to help address current operational problems. Medical Technology Systems - The complete franchise system and package was formally presented with recommendations. The project worked with the Company to develop a unique accounting and inventory tracking system the will help stabilize its network expansion. New Wind - The complete franchise system and package is nearing completion with an estimate for final presentation with recommendations scheduled for May. Several essential components have been present and are currently in the test	

			phase.
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PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
1. Creation and development of the franchise strategy and packages for initial pilots. (con't.) <ul style="list-style-type: none">• Business Strategies and Development Plans• Operating Procedures and Controls• Marketing Programs• Training• Legal Framework		4/30/98 (con't.)	CCC - The franchise system and package is being modified- for formal presentation and implementation in May. This franchise system is being designed and adopted to assist in developing CCC into a market driven consultancy. It is modeled after a successful US system targeted at various commercial entities and organizations.	
		5/31/98	CC Podil - The original “Mini-Cafe” model continues to be delayed due to corporate monetary constraints and operational concerns. Medical Technology Systems - The complete franchise system and package was delivered in April and we are continuing to work with and advise the Company on developing a system for implementation into several different markets. CCC - The complete franchise system and package was formally presented with recommendations. New Wind - The basic operational elements of the franchise package were completed and formally presented to senior management. The Company is extremely happy with the quality and professionalism of the project work and is implementing the system gradually to ensure thoroughness.	
		6/30/98 and on-going	CC Podil – <u>Completed</u> -The Project is continuing to work with the Company to further the implementation of the system. Medical Technology Systems – <u>Completed</u> -The Project is continuing to work with and advise the Company on developing a strategy for expansion into several different markets. These are varying from individual units to larger commercial entities. CCC – <u>Completed</u> - The Project continues to work with the Company and its three Pilot Franchisees on implementation. New Wind – <u>Completed</u> - Due to the size and complexity of New Wind, the actual pilot franchise development process will be finalized over the next several months. The Project is continuing to work with the Company on implementation of the system.	

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
2. Completion of franchising packages for additional enterprises identified in Phase 2. <ul style="list-style-type: none">Project teams to complete development of franchising packages	three (3) by 8/24/98	4/30/98	<i>Troyanda</i> - Preliminary research, design and development for this project began during the month. The system will be constructed as a 3-tier structure with a franchisor, area development franchisees and unit franchisees. The area development franchisees will also be developing a network of independent distributors as well as unit franchisees. <i>Urkteck</i> - Initial “pilot model” has continued to be delayed due to excessive permit and regulatory hurdles. We still anticipate developing the pharmacy project, however it will be reassessed at the end of May or early June as to its viability. <i>Zoo Company</i> - The preliminary research, design and development of the franchise system have begun. The project will be working closely with IESC and members of the Donesk business community to expedite development of this project.	
		5/31/98	<i>Troyanda</i> - The initial components of the system, (Daily Operations, Operational Standards, and Marketing & Advertising) were completed in final draft form and presented to the Company. Each has been adjusted and will be implemented in several test locations. <i>Zoo Company</i> - Initial work with the pilot management focusing on information gathering for the development of a franchising and operational strategy was completed. The project is on schedule with initial implementation of essential segments scheduled for early to mid July. <i>Urkteck</i> - Initial “pilot model” has continued to be delayed due to excessive permit and regulatory hurdles. We have met with the Company's management on several occasions and still desire to develop the project, however it will need to be reassessed in the context of the time constraints within the current TO. <i>Bydmax</i> - Project is to begin development in mid June.	

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
2. Completion of franchising packages for additional enterprises identified in Phase 2. (con't.) <ul style="list-style-type: none">Project teams to complete development of franchising packages		6/30/98	<i>Troyanda – <u>Completed</u></i> -The complete franchise system and package was delivered in June and we are working with and advising the Company on developing its implementation into several different markets segments. These are ranging from training of staff to specialized unit franchisees and ice cream shops. <i>Zoo Company</i> - The basic components of the franchise system and package are 90% complete and are being implemented and tested for the final rollout. The Project is working with the Company to finalize their strategic development plan and strategy. The franchise system was designed using a successful US model and will incorporate a fully integrated system of multiple franchise concepts. The project is working closely with an IESC expert to expedite development of this project. <i>Bydmax</i> - The project began development of its seventh franchise pilot project during the month. The Company has identified the Package segments that are priority for immediate implementation and work has begun on their development. The entire franchise package should be completed in August.	
		7/31/98	<i>Zoo Company – <u>Completed</u></i> - The completed franchise system and package was delivered and is now being implemented. The franchise system is modeled after a successful US model, incorporating a fully integrated system of multiple franchise concepts that are to be self-sufficient, yet will support one another. Each of the new franchisees has the right to develop this system of sub-franchisees. <i>Bydmax</i> - The project continues to work on the development of the Company's franchise system and package. Most of the essential Package segments have been completed and implementation begun. The legal framework is completed and the company is eager to start its network development. The entire franchise package should be completed in August.	

PHASE 3		Tangible Results/Benchmarks Expectations Actual	Critical Issues / Next Steps / Comments
<u>Implementation</u>			
2. Completion of franchising packages for additional enterprises identified in Phase 2. (con` <u>t</u> .) <ul style="list-style-type: none">Project teams to complete development of franchising packages		8/31/98	<i>Bydmax - <u>Completed</u> - The franchise package and system development recommendations have been completed and delivered to the Company. The essential package segments are being implemented into the corporate locations for the test phase.</i> Note: This is the Project's seventh (7) complete franchise package and system developed that is being implemented into a pilot project.

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
3. Implementation of Franchise Network development process for initial Pilots. <ul style="list-style-type: none">Assist pilot franchises with development of franchise networkNegotiations on Franchising Agreements	three (3) by 8/31/98	2/28/98	Medical Technology Systems is preparing to enter negotiations with prospective franchisee in Kyiv. Agreement has also been signed to develop a franchise and supply relationship with a company in the Czech Republic.	
		3/31/98	Medical Technology Systems is piloting a Master Franchise Agreement with potential franchise development into 26 regions of Ukraine. Also in process of finalizing a franchise and distribution relationship in the Czech Republic. CCC has identified two associates and a third party to begin pilots. Current agreements and system implementation of segments are scheduled to begin by the end of April.	
		4/30/98	CC Podil is integrating key elements into its current operations and we have offered our assistance to work with Podil in this regard in an effort to help position the Company to begin its franchise network. Medical Technology Systems is finalizing the design of its new franchise network and structure. The current operational and organizational system is being changed for adoption into a functional franchise company. New Wind implementation will be developed and determined over the next several month due to the size and complexity of the Company. A specialty and distributor pilot agreement will be design for a more immediate pilot development phase. CCC implementation of three pilots has been delayed until early May to provide time for adjusting key system components and a Pilot Legal Agreement.	
		5/31/98	CC Podil - The actual franchise pilot development process will follow when the Company corrects its current operational problems and is able to support and develop the network. The time frame is now late summer or early fall at the earliest.	

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
3. Implementation of Franchise Network development process for initial Pilots. (con't.) <ul style="list-style-type: none">Assist pilot franchises with development of franchise networkNegotiations on Franchising Agreements		5/31/98 (con't.)	<p><i>Medical Technology Systems</i> - The Company is also negotiating a joint venture with 'Medical Innovative Technology' that will serve a valuable vehicle for delivering the product to consumers and facilitate the development of a stable franchise network.</p> <p><i>CCC</i> - Three pilots have signed 'Pilot Franchise Agreements' and are now implementing the initial stages of the rollout. The project is continuing to advise and assist during this phase. Each of the pilots has solicited commercial clients who desire to retain their services.</p> <p><i>New Wind</i> - Due to the size and complexity of New Wind, the actual entire pilot franchise concept and implementation process will be developed and determined over the next several months. We are continuing to stay actively involved with the Company to assist with this implementation and work with them on the Company's organizational structure and development of its network.</p> <p><i>Troyanda</i> - Two pilot agreements, (one for the franchisor - area development franchisee relationship, and the other for the area development franchisee - unit franchisee relationship) have been developed. Negotiations are beginning with prospective pilots.</p> <p><i>Zoo Company</i> - In June we plan on beginning negotiations with two potential pilots, one in Donesk and one in Mariupil.</p>	
		6/30/98	<p><i>CC Podil</i> - The actual model has been designed and is ready for development. The Company has opened a prototype “larger” Cafe concept that may also be franchised, in addition to the original “Mini-Cafes”. Podil has implemented and is currently testing the original franchise components and package in the larger cafe and staff training.</p> <p><i>Medical Technology Systems</i> - The Company is currently implementing segments of the franchise package and testing its system in 27 locations under the MTS trademark. The Company is in negotiation with four potential pilots.</p>	

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
3. Implementation of Franchise Network development process for initial Pilots. (con't.) <ul style="list-style-type: none">Assist pilot franchises with development of franchise networkNegotiations on Franchising Agreements		6/30/98 (con't.)	CCC - Each of the pilots has solicited and is currently working with commercial clients who desire to use their services. New Wind - The Project is now working with the Company's senior management to formalize and implement its development strategies. The Company has begun the initial implementation of its development with an introductory meeting with prospective franchisees that would be established to sustain a nation wide network. Troyanda - A system of Area Development Franchises will be established to spearhead this expansion into a national network. The network will be composed of a variety of unit franchises and specialty shops. Zoo Company - The Company has targeted two potential franchisee pilots, one in Donesk and one in Mariupil, and the Project is assisting in this development and subsequent negotiations.	
		7/31/98	CC Podil - Podil has implemented and is currently testing the original franchise components and package in a larger cafe concept. A dedicated franchise development manager was hired and training is in progress. Medical Technology Systems - The Project is continuing to work with and advise the Company on developing a strategy for implementation into several different markets. The Company has signed five (5) pilot franchise agreements and the systems and package are being implemented. CCC - The Project continues to work with the Company and its three (3) Pilot Franchisees. Each of the pilots has solicited and is currently working with commercial clients who desire their services.	

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
3. Implementation of Franchise Network development process for initial Pilots. (con't.) <ul style="list-style-type: none">Assist pilot franchises with development of franchise networkNegotiations on Franchising Agreements		7/31/98 (con't.)	<i>New Wind</i> - The Company has completed the initial implementation of its development with an introductory meeting with prospective franchisees. The franchisee development manager was hired and training completed. Five (5) franchise agreements are signed and the formal training process is now in progress while the systems are implemented in these pilots. <i>Troyanda</i> - A franchise development manager was hired and training completed for essential corporate staff and the two pilot area development franchisees, one in Nikolaiev and one in Kyiv. Two (2) Area Development Franchise Agreements are signed with these franchisees; each of these is an operating business with multiple units. The franchisee in Kyiv is implementing the system into their corporate units and will begin training ten (10) prospective sub-franchisees in August. The franchisee in Nikolaiev has added eleven (11) new corporate units and has completed training. <i>Zoo Company</i> - Two (2) Franchise Agreements have been signed, one in Donesk and one in Mariupol. The franchise development manager was appointed and formal training is scheduled for August. The franchise package is being implemented in the two pilot franchisees.	
		8/31/98	Complete for all seven-(7) franchise systems. Both the three-(3) initial pilots and the four-(4) additional pilots are developing their respective networks. Seventeen (17) Franchise Agreements have been signed as follows: <ul style="list-style-type: none">Medical Technology Systems – 5Counterpart Creative Center – 3New Wind – 5Zoo Company – 2Troyanda – 2 Note: A total of twenty-four (24) independent enterprises have been positively impacted to-date.	

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
3. Implementation of Franchise Network development process for initial Pilots. (con't.) <ul style="list-style-type: none">Assist pilot franchises with development of franchise networkNegotiations on Franchising Agreements		8/31/98 (con't.)	<p><i>New Wind</i> - The Company has completed the initial implementation of its development and the formal training is now in progress concurrently while the systems are implemented.</p> <p><i>Troyanda</i> - The franchise development manager is now working with a Project consultant to execute the system and further implement it throughout the network. In addition, the Project is conducting workshops and providing direction at the Lutsk for management and Area Development Franchisees.</p> <p><i>Zoo Company</i> - The franchise development manager was appointed and formal training begun in August in conjunction with franchisees. The franchise package is being implemented in the two pilot franchisees.</p> <p><i>CCC</i> – The Project continues to work with the Company and its three (3) Pilot Franchisees. Each of the pilots has solicited and is currently working with commercial clients.</p> <p><i>Medical Technology Systems</i> – The Project is continuing to work with and advise the Company on developing a strategy for implementation into several different markets. Besides development within Ukraine, the Company has been contacted by potential investors for the further development of the franchise network in The Czech Republic, Hungary, and Germany.</p> <p><i>CC Podil</i> – Podil has implemented and is currently testing the original franchise components and package in a larger cafe concept.</p> <p><i>Bydmax</i> - The essential package segments are being implemented into the corporate locations for the test phase. Training sessions and system implementation workshops are beginning and will continue through September. The Project is also working closely with senior management to reorganize its operational structure, enabling the Company to develop and support its franchise network. The Company is totally committed to franchising as its primary development mechanism and expansion process.</p>	

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
3. Implementation of Franchise Network development process for initial Pilots. (con't.) <ul style="list-style-type: none">Assist pilot franchises with development of franchise networkNegotiations on Franchising Agreements			9/25/98	<p><i>New Wind</i> - Special training workshops were held for all five-(5) franchisee and the four-(4) corporate locations, nine (9) total. An additional three-(3) franchisees are expected to sign agreements before the end of the year.</p> <p><i>Troyanda</i> - The Project conducted workshops and provided direction at the Lutsk headquarters for senior management and Area Development Franchisees. The two Area Development Franchisees, control over 111 units and are implementing the management systems and procedures into additional distribution outlets. Six (6) additional Area Development Franchisees are expected to sign agreements before the end of the year.</p> <p><i>Zoo Company</i> - The Project initiated a potential investment through WesNis and continued to facilitate. The Project worked closely with an IESC expert to expedite development. The implementation and training process continued at the Donesk headquarters, with Zoo Company and its two-(2) franchisees.</p> <p><i>CCC</i> – The Project continued to work with the Company and its three (3) Pilot Franchisees. Each of the pilots has solicited and is currently working with commercial clients.</p> <p><i>Medical Technology Systems</i> – The Project continued to work with and advise the Company on developing a strategy for implementation into several different markets. Besides Ukraine, the Company is negotiating with potential franchisees for development in The Czech Republic, Hungary, and Germany.</p> <p><i>CC Podil</i> – Podil has implemented the original franchise components and package in a larger cafe concept. The Company, with assistance from the Project team, has prepared a financial model, documents, and a concept paper to access funds for the development of its franchise system(s).</p> <p><i>Bydmax</i> - The package segments are being implemented into the four (4) corporate locations. Training workshops and system implementation were conducted. The Project worked with senior management to reorganize its operational structure, enabling the Company to develop and support its franchise network.</p>

PHASE 3

Tangible
Results/Benchmarks
Expectations Actual

Critical Issues /
Next Steps / Comments

Implementation

3. Implementation of Franchise Network development process for initial Pilots. (con't.)		9/25/98	Note: Including Company operated businesses - a total of <u>[133 operating businesses]</u> – (<u>17 independent franchisee units</u>, <u>109 corporate units</u>, and <u>7 franchisors</u>) have been positively impacted by the Projects technical assistance.
4. Legal Issues.	4/30/98	11/17/97	Initial development of a Franchise Agreement has begun that can be applicable under current law and business conditions and realities.
<ul style="list-style-type: none"> Outline of a Franchise Agreement applicable under current Ukrainian law Assist and cooperate in formulating recommend changes to legal and regulatory framework 		12/31/97	First draft of CCC legal agreement was completed and is being reviewed. Sample Franchising Agreement (in review).
		01/31/98	First draft of Podil legal agreement was completed and is being reviewed. Legal & regulatory analysis is on going.
		2/28/98	Medical Technology Systems legal agreement is being adapted to conform to expansion.
		3/31/98	Completed -The commentary on the Legal and Regulatory Framework with Recommendations was forwarded to USAID. Additional copies will be provided to the appropriate contractors and entities. Assistance and cooperation being given to contractors regarding formulation of changes to the regulatory environment to enhance franchising & SME development.
		4/30/98 and on-going	Copies of the Legal and Regulatory Framework with Recommendations was provided to appropriate contractors working directly on these issues along with an offer of assistance. Developed two Franchise Agreements that are applicable under current Ukraine law to be used for pilots.
		5/31/98 and on-going	Continued assistance and cooperation with contractors on all issues related to and involving the legal and regulatory framework necessary for franchise and SME development.

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
5. Financing Assistance. <ul style="list-style-type: none"> • Review of current practices in view of targeting franchising • Develop local capacity to identify financing • Technical assistance - loan applications & additional information to facilitate financing. 		8/24/98	11/03/97 and on-going 12/31/97 and on-going 2/28/98 3/31/98 4/30/98 5/31/98 6/30/98 and on-going	Began preliminary research of financing entities and avenues for franchising. Research and investigation is continuing. Research and analysis is continuing with particular assistant being given to <i>Medical Technology Systems</i> . Continued research for identification of resources on behalf of pilots. Support in identifying and providing of technical assistance is an on-going process. The project is also using other contractors to aid in facilitating objectives. Project continues to search and investigate potential financing sources. The apparent limited access to investment capital at various stages of an enterprise's development has also become more acute and difficult to obtain. A specialist is will be needed to address these issues. Complete - Due to the importance of the entire financing issue, the Deputy Project Director will be dedicating much of his time and resources to this segment of the Project. This will include: <ul style="list-style-type: none"> • identification of the 'actual' needs for each pilot; • assisting with the development of concept papers explaining this need and its purpose; • matching this need to the appropriate source for financing; • facilitating the actual loan process; • providing a technical assistance resource, as applicable. CC Podil – The Company is in the process of preparing financial documents and a concept paper to access funds for the development of its franchise system(s).

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
5. Financing Assistance. (con't.) <ul style="list-style-type: none">• Review of current practices in view of targeting franchising• Develop local capacity to identify financing• Technical assistance - loan applications & additional information to facilitate financing.		6/30/98 (con't.)	<i>Medical Technology Systems</i> – The Project has assisted MTS to secure a \$25,000 credit loan from ProminvestBank in Lviv to purchase equipment that will provide for the development of its network. <i>New Wind</i> – The Project is working with the Company to facilitate its negotiations with Aval Bank to access a special fund that will allow it to develop its franchise network. Negotiations with the Bank are in progress. <i>Troyanda</i> – The Project is working with the Company to identify financial needs and development tactics to establish this network. <i>Zoo Company</i> – The Project is assisting the Company to identify financing needs and potential resources.	
		7/31/98 and on-going	<i>CC Podil</i> - With the assistance of the Deputy Project Director, the Company is in the process of preparing financial documents and a concept paper to access a \$50,000 loan/credit for the development of its franchise system(s). <i>Medical Technology Systems</i> - The Project continues to work with the Company to identify additional funding sources. <i>New Wind</i> – The project is working with the Company and Aval Bank for a \$500,000 + loan - negotiations are in progress. <i>Troyanda</i> – The project is working with WesNIS and the Company on this investment. <i>Zoo Company</i> - The Project is assisting the Company to quantify financing needs and potential funding sources to develop this system. WesNIS is also interested in investing in this franchise.	

PHASE 3	Tangible Results/Benchmarks		Critical Issues / Next Steps / Comments
	Expectations	Actual	
<u>Implementation</u>			
6. Conduct presentations and training programs.	four(4) before 9/18/98	10/31/97 One (1)	Franchising presentation was given to the Regional NIS-US Women's Consortium on 10/10/97. Others are being scheduled with IFC and DAI.
		12/08/97 & 12/09/97 Two (2)	Participated in two day IFC National Conference on SME development. Presentation and seminar was conducted with question and answer period. One-on-one meetings were held after conference presentation. Project consultant made presentation of USAID Franchising Initiative and its role in SME development to the Lviv Management Institute.
		12/31/97 Three (3)	A seminar was presented by Liana Gorayska, one of the local project consultants, with the support of Ross Tyler, project franchise specialist. The focus was on franchising and how it can serve as a practical method for getting into business, as well as an impetus to development small business. Approximately 25 plus independent entrepreneurs were in attendance.
		01/31/98 Four (4)	Presentation and training programs are being planned with: <ul style="list-style-type: none">• IFC & DAI to Regional Consultants• The International Management Institute• In cooperation with IESC in Dnepropetrovsk
		4/30/98 Five (5) – Eleven (11)	A workshop was conducted at the International Management Institute on franchising and alternative distribution channels in transitioning economies. This discussion group consisted of approximately thirty-five post graduate students and faculty.
			A formal presentation on franchising and alternative distribution systems was presented to the Master's students and faculty at the International Management Institute. Approximately fifty participates were in attendance.

<i>PHASE 3</i>		Tangible Results/Benchmarks Expectations Actual	Critical Issues / Next Steps / Comments
<u>Implementation</u>			
6. Conduct presentations and training programs. (con't.)		4/30/98 (con't.)	<p>Two local Sibley Consultants gave a formal franchising presentation to the Ukrainian Center for Post Privatization. The presentation was provided to fifteen UCPPS Consultants to facilitate the transfer of information and technologies.</p> <p>Four separate workshop/training presentations (April 21-24) were presented to approximately thirty NewBiznet business consultants from various regions by four of Sibley's local Consultants. The purpose was to provide them with an introduction to Basic Business tools and how they can and should use them to benefit their clients. The knowledge and know-how was received with tremendous interest.</p> <p>Additional presentations are being planned as follows: May 11th at opening of two day Business Practices Workshop. May 11 & 12 – two day train the trainer presentation and workshop with IFC & DAI trainers. May 20th with Mayor and business leaders in Donesk. May 21st at National Academy in Dnipropetrovsk. May 22nd with CDC in Odessa. May 23rd with business entrepreneurs in Feodosya.</p>
		5/31/98 Twelve (12) – Twenty one (21)	<p>A series of meetings and presentations were conducted with a group of business leaders in Ferdosya, Crimea on May 20th and 21st. Presentations were focused on how franchising regional businesses can be used to develop small entrepreneurial businesses as well as attracting new franchisors into the region.</p> <p>A two-day Sibley run seminar/workshop was conducted on May 11 & 12. The focal point of the seminar was to train select consultants from both DAI and IFC on the Basic Business Practices and Procedures that were developed by Sibley. The projects local staff conducted the seminar with the project management acting as a support. Approximately 45 consultants attended.</p>
		7/31/98	<p>The project also participated and made presentations at two NewBizNet Center openings during the month; one in Mikolaiv and one Zaporoshia.</p>

<i>PHASE 3</i>		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
6. Conduct presentations and training programs. (con't.)		8/31/98 Twenty two (22) & Twenty three (23)	The Project made formal presentations to the Committee on Enterprise Development during the month. Approximately 25 people attended. The presentations and training programs focused on: <ul style="list-style-type: none">• Franchising as a Business Development Tool. (1)• Distribution and Marketing Channels. (1)	
		9/25/98 Twenty seven (27) total separate Project presentations	The Project continued to assistance to The Committee for Entrepreneurial Development on several educational and information sharing initiatives in regards to business development tools and franchising concepts including: <ul style="list-style-type: none">• discussion groups (1)• workshops (2)• presentations (1)	

PHASE 3	Tangible Results/Benchmarks		Critical Issues / Next Steps / Comments
	Expectations	Actual	
<u>Implementation</u>			
7. Training under this task order will be targeted at local professionals capable of consulting on all aspects related to the development of viable franchises and competent at advising on educational or consulting projects involving franchising in Ukraine.	three (3)	11/03/97 Nine (9)	Conducted five-day workshop and training sessions for nine local consultants. Additional training and capacity building continued throughout the month utilizing hands-on and practical application techniques. These are being conducted in team group sessions and one-on-one.
		12/01/97 and on-going	On-going process with local project consultants through weekly staff meetings, training workshops, and one-on-one consultations as each of the projects is being developed.
		5/31/98 and on-going	The project continues to train and develop local consultants using hands-on methods, one-on-one consultations, strategy and team workshops, and through working directly on specific pilot projects. The emphasis during May was on presentation skills and how to conduct an effective seminar and/or workshop to a large group. After the actual presentation, the consultants are evaluated and corrective comments given.
		6/30/98	The emphasis during June was on the various development strategies that could be utilized by a franchisor to expand its franchise network. An introduction to franchise financing issues and tactics was also part of their training process. These will continue to receive emphasis throughout the remainder of the present project.
		7/31/98	The arrival and assistance of Kathleen McDonald allowed the Project to intensify its efforts to facilitate development of three targeted franchise networks (Troyanda, New Wind and Bydmax) and the consultants. In addition to Kathleen’s direct assistance and training to the pilots and consultants, her training focused on: <ul style="list-style-type: none">• Recruiting and developing franchisees for respective networks;• Development plans and franchise marketing strategies;• Assisting pilots with franchisee selection; Assisting both consultants and pilots with training and development programs.

<i>PHASE 3</i>		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<i><u>Implementation</u></i>				
7. Training under this task order will be targeted at local professionals capable of consulting on all aspects related to the development of viable franchises and competent at advising on educational or consulting projects involving franchising in Ukraine. (con't.)		8/31/98	The arrival and assistance of Ross Tyler allowed the Project to intensify its efforts in facilitating the development and training of the consultants in regards to expansion of appropriate franchise networks. He worked with each of the local consultants to assist in the presentation and implementation of training programs for the pilots. Based on his work, each pilot is better positioned to launch a franchise development program. The Project continues to train and develop local consultants using hands-on methods, one-on-one consultations, strategy and team workshops, and through working directly on specific pilot projects. The emphasis during August was on the various strategies that are being utilized by the franchisors to train and development their franchise networks. These will continue to receive emphasis throughout the remainder of the project.	
		9/25/98	The Project trained seven (7) local consultants on franchising systems, methodologies and concepts to the point where they can work independently with an enterprise.	

PHASE 3	Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
	<u>Implementation</u>		
8. Management and Business workshops / lectures for the transfer of Management technologies, concepts and methodologies.	NONE	10/31/97 two (2)	Two presented to UCPPS on organizational management techniques.
		12/01/97 and on-going	Began work with key management and consultants of UCPPS on transfer of information and technologies to build capacities.
		2/28/98	Have entered discussions with the International Management Institute in Kyiv for workshop/seminar series as part of their Masters Program.
		3/31/98	Continued relationship and assistance with UCPPS.
		4/30/98	Collaboration with DAI and IFC on disseminating Business Practices & Procedures modules via Business Centers. Provided materials and tools to NewBiznet consultants on Basic Business Practices and Procedures with an offer for continued assistance to facilitate implementation.
		5/31/98	During the two days workshop on May 11 & 12 each of the seven basic business technologies was presented in with a formal transfer of the information given to each of the consultants who participated. This was followed up by an offer to assist each of the Business Centers with implementation. A formal presentation and transfer of technologies on the seven Basic Business Practices and Procedures was also provided to CDC in Odessa on May 22 nd . The local consultants learned much from the information provided and felt they would use it to assist their client businesses. On May 22 nd meetings were held in Odessa with CDC and NewBizNet to identify areas and means for mutual and continual cooperation. Formal plans are being discussed.
		6/30/98	The Project continued its assistance in support of the Ukraine Center for Post Privatization. The assistance was focused on management and marketing concepts and training issues.

<i>PHASE 3</i>		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<i><u>Implementation</u></i>				
8. Management and Business workshops / lectures for the transfer of Management technologies, concepts and methodologies. (con't.)		6/30/98 (con't.)	Meetings were conducted with DAI and CDC searching for means and venues where the three projects could cooperate in SME development. Each project agrees it can benefit from an association and coordination of its respective resources and expertise.	
		7/31/98	The Project continues to train and develop local consultants using hands-on methods, one-on-one consultations, strategy and team workshops, and through working directly on specific pilot projects. The emphasis during July was on the various strategies that would be utilized by a franchisor to train and development their franchise networks. These will continue to receive emphasis throughout the remainder of the present project. The Project continued its assistance in support of the Ukraine Center for Post Privatization and Support. The assistance was focused on management techniques and training issues for the Company.	
		8/31/98	The Project continues to work quite closely with the Committee On Enterprise Development concerning several educational and information-sharing initiatives on SME development. These have included a variety of workshops, discussion groups, formal presentations and training classes.	
		9/25/98	The Project helped train consultants from UCPPS, IFC and NewBizNet on the principles of Basic Business Practices and Procedures. This included workshops and presentations providing actual modules for implementation to their respective clients. c	

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
9. Information dissemination to increase the awareness of Franchising and its essential role in economic and development assistance.	NONE	12/31/97	Conducted interview to convey the objective of the USAID Franchising Initiative and its role in the development of small and medium size businesses in the Ukrainian economy. <ul style="list-style-type: none">• IntelNews weekly magazine – December issue	
		01/31/98	Conducted interview to convey the objective of the USAID Franchising Initiative and its role in the development of small and medium size businesses in the Ukrainian economy. IntelNews publication in January in Russian/Ukrainian and English.	
		2/28/98	Began discussions with NAURD for presentation and workshop. Presentation would be in conjunction with The Committee on Enterprise Development Activities. Met with UKRel to identify possible areas of cooperation. Met with Peace Corps to identify means to assist with their business development component. Participated in the Union of Small and Medium Enterprise meeting. Two local consultants, Alexander Voronkov and Tatiana Maksimova represented project.	
		3/31/91	Discussions with the International Management Institute on methods for including a franchising component into their Masters Program.	
		4/30/98	Continued discussions with International Management Institute in regards to their Masters Program.	
		5/31/98	Meetings and presentation in Ferdosya how franchising regional businesses can be used to develop small entrepreneurial businesses as well as attracting new franchisors into the region. There was also request for our assistance in regards to Basic Business Practices.	
			On May 28 th meetings were held in Donesk with a business development group wishing for the project to use franchising to develop and grow business in the Oblast.	

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
9. Information dissemination to increase the awareness of Franchising and its essential role in economic and development assistance. (con't.)		6/30/98	Meetings were held with Sergy Zorgy from the Commercial Department of the Embassy. Mr. Zorgy is assigned to franchise development issues and the Project has agreed to cooperate and assist, as appropriate, to further this development activity.	
		7/31/98	<p>The Project contacted 'The Committee on Enterprise Development' to provide an update of the project and possible workshop on Franchising and its role in SME development. 'The Committee' refused to meet with the Project Director until a "formal report" was presented to it in advance. A special report that reflects the Projects status was presented at the end of the month (with USAID approval) and the Project will follow-up with a personal update to the Committee.</p> <p>The Project's outreach this month was focused primarily in giving assistance and cooperating with the Committee for Entrepreneurial Development. The Project had several requests from Olexandra Kuzchell, Natalya Prokopovich, and Gannady Belimenko to assist in the development of the Committee's proposal to The Rada for small and medium size business development through the Year 2000. This involved segments in which Franchising was to be an essential element in the Committee's plan. Meetings were also held with Constantine Vasylovich, the Director of Law Support for Enterprises, in regards to a request to assist in the development of a 'Law on Franchising'. The Committee was challenged by President Kuchma to develop a special Law and deliver it for signature by the first quarter of 1999. The Committee welcomed the review, conducted by Sibley under this TO, of the Chapter on Franchising in the revised Civil Code.</p> <p>The Project was told, "with Franchising being a major component of Ukraine's business development initiative, neither the President or the Committee wish to be hindered by delays in changing the Civil Code".</p>	

PHASE 3		Tangible Results/Benchmarks Expectations Actual		Critical Issues / Next Steps / Comments
<u>Implementation</u>				
9. Information dissemination to increase the awareness of Franchising and its essential role in economic and development assistance. (con't.)		7/31/986 (con't.)	Meetings were re-initiated by NAURD in regards to educating and presenting workshops on Franchising as a business development tool.	
		8/31/98	<p>The Project management also attended a roundtable workshop presented by the Counterpart Creative Center on SME development. The meeting focused on cooperation between NGO's and Contractors in their respective roles in this process.</p> <p>The Project's outreach this month continued to be focused in giving assistance to The Committee for Entrepreneurial Development. The Project is working to assist in the development of the Committee's SME development initiatives through the Year 2000, of which franchising is a major component. Meetings continued with the Director of Law Support for Enterprises, in regards to assisting in the development of a 'Law on Franchising'. The Committee has been challenged by President Kuchma to develop a special Law and deliver it for signature by the first quarter of 1999.</p> <p>There is desire, both within the Ukraine government and from private enterprises, to disseminate more franchising knowledge and expand practical implementation of franchising. The demand to use franchising as the principal means for SME development and expansion can from several diverse economic sectors, to include:</p> <ul style="list-style-type: none"> • Agribusiness – supply and product distribution • Pharmaceutical – distribution, supply and retail • Retail Foods – retail grocery and product distribution' • Petroleum & Gasoline – distribution and retail • Chemical & Petrochemical – supply and distribution • Transportation – inter and intra city • Dental Services – retail service • Health Care Clinics and Services • Food Service – retail and supply • Telecommunications - expansion 	